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C O N F I D E N T I A L SECTION 01 OF 02 BAKU 000980

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SUBJECT: AMBASSADOR'S INTRODUCTORY CALL ON FOREIGN MINISTER
MAMMADYAROV

Classified By: Ambassador Anne E. Derse; reasons 1.4 (b,d).

¶1. (C) Summary: During the Ambassador's July 3 introductory call, Foreign Minister Mammadyarov said Azerbaijan would need U.S. help to secure access to European gas markets and develop a new Trans-Caspian gas pipeline. Noting the dangers of over-reliance on the energy sector, the Ambassador urged Azerbaijan to continue political and economic reform, moving quickly toward WTO accession. Mammadyarov was cautious on both fronts, arguing that both the WTO and democracy would require time. Separately, Mammadyarov said Azerbaijan, as Chair of the OIC Foreign Minister's Conference, is playing a moderating role and had toned-down anti-Israel items in the UN Human Rights Council. Mammadyarov wants the OIC to lend support to the Government of Iraq, by opening an office in Baghdad and supporting Iraq's security and law enforcement agencies. Admittedly still vague on the details, Mammadyarov said he hoped to involve Pakistan and Malaysia, and plans to make concrete proposals at the OIC Ministerial during UNGA. Finally, the Ambassador urged Azerbaijan to support Guatemala's candidacy for the UN Security Council. Mammadyarov was noncommittal, explaining that he needed to find out whether Azerbaijan had exchanged support with Venezuela on issues related to Nagorno-Karabakh. End summary.

¶2. (C) Ambassador Derse paid an introductory call on Foreign Minister Elmar Mammadyarov on July 3, just prior to the presentation of her credentials to President Aliyev. The Ambassador reviewed U.S. priorities for the bilateral relationship: cooperation in the war on terror and strengthening regional and global security, global energy security, and reform. Mammadyarov agreed that President Aliyev's April visit to Washington laid the groundwork for a strengthened bilateral relationship, and said he looked forward to working with the Ambassador at this "important time." At the end of the meeting, the Ambassador reiterated our interest in building a New Embassy Compound and told Mammadyarov she would seek President Aliyev's help in resolving two problems in the options offered by the Government of Azerbaijan. Mammadyarov pledged to assist the Embassy in resolving these problems.

ENERGY SECURITY

¶3. (C) Mammadyarov, who had just returned from Finland, said he believes new EU President Finland will be "very positive" on the question of increasing Caspian gas exports to Europe.

In general, Mammadyarov said, Austria and the Balkans also have been very supportive, while the Greeks and Italians are "a little hesitant." Completion of the Nabucco deal will be critical, according to Mammadyarov. Over the next five to ten years, Mammadyarov believes Europe will make the switch from Iranian natural gas supplies to Azerbaijani gas supplies. He said that he tells EU leaders that Azerbaijan is not in competition with the Russians for European markets. Gazprom, he said, can provide 150-170 bcma, while Azerbaijan is contemplating sale of 30-40 bcma to Europe. Mammadyarov will discuss energy issues with German officials later this week; he promised to brief the Ambassador following his return from Germany.

¶4. (C) Mammadyarov said that Azerbaijan will need political help from the United States in order to secure access to European markets. Investors will not act without political commitments. Mammadyarov told the Ambassador that Azerbaijan had pledged to EUR DAS Bryza that it would accelerate its negotiations with the Greeks to bring Azerbaijani gas into the TGI connector; a team would depart for Greece later this week. In Azerbaijan's view, now is the time for the Europeans to make a choice.

¶5. (C) Similarly, Azerbaijan will need strong U.S. support to pursue a Trans-Caspian gas pipeline. Some of the Caspian littoral states, Mammadyarov noted, do not approve of the initiative. Yet Azerbaijan will pursue this initiative in spite of the opposition. It is part of Azerbaijan's national strategy to become both an energy producing and a transport nation, Mammadyarov said.

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REFORM

¶6. (C) Cautioning Mammadyarov of the destabilizing impact, both economic and political, of massive energy revenues, the Ambassador urged Azerbaijan to continue its program of political and economic reform, and move quickly toward WTO accession. Mammadyarov responded that Azerbaijan faces many challenges in its non-energy sectors, particularly agriculture, and for this reason, must be careful about WTO accession. Similarly, while Azerbaijan is committed to political reform, Mammadyarov views democracy as a "generational issue" that will take time to complete. For this reason, the GOAJ is putting a great deal of emphasis on education, particularly in areas outside of Baku. Democracy, Mammadyarov said, requires an investment in human capital.

AZERBAIJAN AND THE OIC

¶7. (C) Noting that Azerbaijan was taking on an increasingly important role in the international arena, the Ambassador told Mammadyarov that the U.S. was looking forward to working closely with Azerbaijan in its capacity as Chair of the OIC Foreign Ministers Conference and as a member of the UN Human Rights Council. However, the U.S. was disappointed with OIC-led actions at the June 30 session of the UN Human Rights Council that resulted in the adoption of several anti-Israeli items. Mammadyarov said that the Government of Azerbaijan understood the U.S. position and had tried to play a moderating role within the OIC. The first OIC drafts (put forward by Syria) were "very bad," Mammadyarov said, and Azerbaijan had worked very hard to "calm" the situation. However, Azerbaijan faced a lot of opposition within the OIC, and had been severely criticized for its decision to abstain on a previous vote on the Third Geneva Convention.

¶8. (C) Mammadyarov said Azerbaijan also hoped to use its Chairmanship of the OIC Foreign Ministers Conference to lend support to the new Government of Iraq. As a first step, the

OIC will open an office in Baghdad. In the longer term, Azerbaijan hopes to build support within the OIC for Iraq's security and law enforcement agencies. Mammadyarov said he was still mulling the possibility of OIC-sanctioned military involvement in Iraq, and had asked the Secretariat to consider the idea. However, he did not see any of Iraq's neighbors playing a role; instead, he would like to see countries such as Malaysia and Pakistan take on more responsibilities within Iraq, on behalf of the OIC. Mammadyarov expected to make further progress on this at the next OIC Ministerial during the UNGA in New York. He commented that Iran had been supportive of the idea, with Iranian FM Mottaki telling his OIC colleagues that they should not allow "criminals" to perpetrate atrocities in Iraq. (Comment: We would appreciate guidance with respect to Azerbaijan's plans for OIC involvement in Iraq.)

GUATEMALA AND THE UN SECURITY COUNCIL

19. (C) Finally, the Ambassador urged Azerbaijan to support Guatemala's candidacy for the UN Security Council. Mammadyarov, who said he did not follow Security Council issues in great detail, pledged to check into the issue in New York. However, Azerbaijan as a practice exchanges support with other countries; Mammadyarov told the Ambassador that if there had been an exchange of support with Venezuela, he would have to abide by that pledge. (Comment: Securing support for its position on the Nagorno-Karabakh conflict is Azerbaijan's chief foreign policy goal. It frequently trades away votes on issues deemed to be of lesser importance in exchange for pledges of support on N-K. We will follow up with the MFA to determine whether an exchange has been made with Venezuela.)
DERSE